

**Department of Veterans Services Plan of Correction for
Auditor of Public Accounts Audit Report
for the Period January 1, 2005 through March 31, 2006
August 15, 2006**

Introduction

The audit findings were identified under the general areas of Management Oversight and Review, Documenting Policies and Procedures and Compliance with Applicable Laws and Regulations. Plans of Correction have been developed, taking into consideration changes in functions, positions and location of key staff that are consistent with the development of a central office in Richmond as envisioned with the consolidation of veterans services in 2003. A restructuring of financial and procurement positions began when the Director of Finance and Administration position was established in the Richmond Central Office (Central Office) in 2005. More recently, the agency fiscal officer retired, and that position and the procurement officer's position, were abolished. The Director of Finance and Administration is performing the functions previously performed by the fiscal officer. Major procurement functions will be contracted with another state agency, in order to improve services and assist in addressing the audit findings.

The opening of the Sitter-Barfoot Veterans Care Center in Richmond in Summer of 2007 will provide the opportunity to align additional key functions in finance and administration in the Richmond area. In the meantime, the Director of Finance and Administration is primarily located in Roanoke to provide on-site supervision of the administration and finance operations. Once the Sitter-Barfoot Veterans Care Center is opened and fully operational, and the new automated Financial Management System (FMSII) is operational, the staffing and organizational realignment to Richmond and the Central Office should occur. This will complete the transfer of policy and management oversight from Roanoke to Richmond. The production of centralized management reports, policies and procedures from the Central Office already has begun. Specific findings and corrective action plans are as follows.

Findings and Corrective Action Plans

Ensure Accurate Time and Leave Reporting

Changes in time sheets have been implemented and now are being reviewed monthly by supervisory staff. New leave slip policies have been implemented and are being monitored. The use of a time clock for administrative staff will be discontinued, and time accounted for consistently by all administrative staff upon consolidation and relocation of staff from the Poff Building in Roanoke to the new offices at the Salem VA Medical Center, adjacent to the Virginia Veterans Care Center (VVCC).

Completion Date: November 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and Human Resource Manager

Strengthen Controls Over the Small Purchase Charge Program

New policies and procedures have been implemented, and most of the deficiencies were addressed prior to completion of the audit. Closer monitoring of monthly purchases is being performed by the accounts payable, procurement and finance office staff. As requested by DVS, further review of the purchasing process for DVS will be conducted in August 2006 in an on-site review by the Department of General Services (DGS).

Completion Date: December 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration

Improve Petty Cash Controls

New procedures have been developed and implemented to ensure accountability and compliance with DVS and Department of Accounts policies, prior to any check being written and issued. DVS staff has been informed on sales tax exemption requirements for state purchases. Petty cash balances and expenditures will be reconciled monthly by the VVCC Director of Accounting and signed off by the Director of Finance and Administration.

Completion Date: August 2006

Primary Responsible Staff for Corrective Action: VVCC Director of Accounting and Director of Finance and Administration

Properly Report Construction in Process

Financial statements for fiscal year 2006 will include all construction in process for both care centers.

Completion Date: August 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and VVCC Director of Accounting

Establish and Implement Adequate Policies and Procedures for the Veterans Services Foundation

A draft policy and procedure document was presented to the Veterans Services Foundation Board of Trustees (Board) in July, detailing new policies and procedures governing the handling and disbursement of donated funds. The new policy and changes in procedures were well received by the Board. Recommendations for edits and changes from the Board will be made and presented to the Board in October 2006 for approval and implementation. In addition, a plan is being developed for management and disbursement of current Foundation Fund balances, which should be approved and implemented by the Board by December 2006.

Completion Date: December 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and Director of Policy and Planning

Establish Process for Determining Negotiated Rates

Procedures have been established and implemented to determine negotiated room and board rates, based on an assisted living facility applicant's ability to pay, taking into account their other recurring expenses. All requests and calculations will be reviewed and approved, as appropriate, by the VVCC Director of Accounting and the VVCC Administrator. These procedures will ensure consistency and equity in determining negotiated rates for assisted living residents.

Completion Date: August 2006

Primary Responsible Staff for Corrective Action: Chief Operating Officer, VVCC Administrator and VVCC Director of Accounting

Appropriately Allocate Administrative Costs for the VVCC

Changes have been implemented in order to allocate administrative staff time and costs that are directly associated with the VVCC. This will improve the accuracy of costs charged to the VVCC and reduce the risk of receiving inappropriate reimbursements for indirect costs. A more comprehensive department-wide administrative cost allocation review is necessary to assure uniform and accurate cost allocations. This also should confirm whether there are sufficient General Funds in the program areas to properly support the current budget methodology where central administration in Roanoke is funded by charging direct program areas for administrative services. Additional general funds, and or a reduction in services, may become necessary to assure that non-general funds and federal grants and contracts are not bearing a disproportionate share of the administrative costs for DVS. In order to fully address this issue, an increase in general funds by supplemental budget action may be necessary.

Completion Date: July 2007

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and DVS finance office

Information Systems Security Assurance

Access to systems for unauthorized employees identified at the time of the audit has been terminated. A departmental policy was distributed in May 2006, relating to client data and the off-site use of personal or lap top computers. In general, the overall assurance for increased security and development of comprehensive policies and procedures for an agency as small as DVS must come from VITA. The 2006-2007 agency contract with VITA has been amended to include the provision of additional information systems security assistance on infrastructure devices and risk analysis, and to deploy the appropriate controls and or appropriate corrective action plans. Additional costs associated with VITA providing contractual support to produce policies, procedures and system modifications specifically, as related to internal operations for DVS, may require supplemental budget actions. The FMSII has comprehensive security

safeguards and should be of assistance as a model for internal controls on accessibility for other applications at DVS.

Completion Date: July 2008

Primary Responsible Staff for Corrective Action: DVS IT Manager, Director of Finance and Administration, VITA

Improve Petty Cash Records and Compliance Requirements

New procedures have been developed and implemented to ensure accountability, compliance with DVS and Department of Accounts policies and accuracy prior to any check being written and issued. DVS staff has been informed on sales tax exemption requirements for state purchases. Petty cash balances and expenditures will be reconciled monthly by the VVCC Director of Accounting and signed off by the Director of Finance and Administration.

Completion Date: August 2006

Primary Responsible Staff for Corrective Action: VVCC Director of Accounting and Director of Finance and Administration

Comply with Commonwealth Human Resource Overtime Standards

Changes in procedures and employee practices have been implemented to restrict earning overtime and compensatory time to those specified in DHRM regulations. Fair Labor Standards Act training is being conducted in August, 2006 for further education of staff on the earning and reporting of overtime and compensatory time.

Completion Date: August 2006

Primary Responsible Staff for Corrective Action: Human Resources Director

Implement and Monitor Procedures to Ensure Proper Use of Funds

Changes in the classification of Federal VA subsidy funds from non-general funds to Federal Trust in the Commonwealth Accounting and Reporting System (CARS) and the state budgeting process were implemented at the beginning of fiscal year 06-07 or July 1, 2006. Financial Statements for FY 06 will be noted and adjusted to address the proper classification of these funds as well as in the Schedule of Expenditures of Federal Awards. The usage and budgeting of the VA subsidy has been the subject of internal study since February 2006, and DVS staff identified the incorrect classification of these funds internally before the APA audit was conducted. A plan is being developed for utilization of these funds as part of the operating and capital budget for the care centers as well as for providing financial assistance to veterans that may have inadequate resources to fully meet the charge rates. Final implementation of the

budget and policy changes relating to the use of these funds may include policy recommendations by the Board of Veterans Services and action by the state legislature.

Completion Date: July 2007

Primary Responsible Staff for Corrective Action: Director of Finance and Administration, VVCC Director and VVCC Director of Accounting

Improve Bad Debt Collection Efforts and Account Write-Offs

New debt collection procedures are being formulated to ensure timely action and follow-up on delinquent accounts. Accounts will be properly classified according to payment source. Supporting documentation will be maintained on all correspondence and collection issues. Accounts Receivable will be reviewed no less than quarterly to determine problems or anomalies which need attention.

Correction Date: November 2006

Primary Responsible Staff for Corrective Action: Director of Accounting for VVCC

Establish a Memorandum of Understanding with the Department of General Services

A formal agreement for support from DGS for Capital Construction and Procurement Assistance will be developed upon completion of the Procurement Review being conducted by DGS in August 2006.

Completion Date: October 2006

Primary Responsible Staff for Corrective Action: Director of Finance and Administration and DGS staff